

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3113-03  
Bill No.: HB 1440  
Subject: Drugs and Controlled Substances; Health Care; Insurance - Medical; Mental Health  
Type: Original  
Date: February 1, 2002

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
General Revenue	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Highway	\$0 to (\$608,967)	\$0 to (\$730,760)	\$0 to (\$730,760)
Insurance Dedicated	\$9,850	\$0	\$0
Conservation	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Greater than \$90,150 to Unknown)</b>	<b>(Greater than \$100,000 to Unknown)</b>	<b>(Greater than \$100,000 to Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and the **Department of Health and Senior Services** assume this proposal will not fiscally impact their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** deferred the fiscal impact response to the Department of Transportation.

**Department of Transportation (DHT)** officials state that the Highway & Patrol Medical Plan covers mental health services the same as medical services. As a result, DHT states there would be no impact to the Medical Plan for mental health services. However, DHT states the Medical Plan has a 30 day maximum per plan year for inpatient hospital services and inpatient medical care for the treatment of chemical dependency and a 20 day maximum per plan year for outpatient services and treatment of chemical dependency. In addition, DHT states the Medical Plan has a maximum of four times the plan year for chemical dependency treatments and services. Because this legislation would require the Medical Plan to cover chemical dependency services with no greater financial burden than medical services, this legislation would have a fiscal impact on the Medical Plan due to the chemical dependency provisions.

DHT spoke to the Medical Plan's actuary, who estimated that this legislation would result in an increase of .5% of total claims and a 1.5% increase in utilization due to the annual maximum number of days and lifetime maximum for treatment being removed. The actuary reported that the Medical Plan paid a total of approximately \$36,538,000 in claims for the calendar year 2001. Based on this information, DHT assumes there would be approximately a 2% increase in total claims resulting in a fiscal impact of \$730,760 per year ( $\$36,538,000 \times .02$ ) to the Medical Plan. The Medical Plan consists of 77% DHT and 23% MHP participants. Therefore, there would be a fiscal impact of \$562,685 ( $730,760 \times .77$ ) due to DHT participation and \$168,075 ( $730,760 \times .23$ ) due to MHP participation.

Historically, MHP, DHT, and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the MHP and DHT must make a decision on what portion they will provide. Until a decision is made, DHT and MHP can only provide the cost to the medical plan.

**Department of Mental Health (DMH)** officials state many of the clients that are served by DMH are those clients that have exhausted their insurance, have no mental health insurance, or

have no physical health insurance at all. DMH states this proposal requires that limitations

ASSUMPTION (continued)

placed on mental health and/or substance abuse coverage provided by insurance policies not be any more restrictive than the limitations regarding coverage for physical health services. To the extent that DMH consumers have insurance coverage, there could be savings to the DMH. However, at this time the DMH is unsure of the type of coverage or amount of insurance coverage and/or the number of individuals that would be affected by this proposal. Therefore, the fiscal impact is unknown.

**Oversight** assumes minimal fiscal impact for DMH clients as they have no insurance or very minimal insurance coverage.

Officials from the **Department of Conservation (MDC)** state this proposal could have significant impact on MDC funds because of increased health insurance claims. MDC states the amount of impact is unknown.

**Missouri Consolidated Health Care Plan (HCP)** officials state the HCP HMO, POS and Copay plans cover Mental Health and Chemical Dependency as any other medical benefit under the plan. The HCP State PPO plan allows for the member to pay a copayment of \$10 for visits 1-5, of \$15 for visits of 6-10, and \$20 for any additional visits. This benefit does not require the member to meet their deductible. Therefore, HCP states this benefit is more favorable than the medical benefit. HCP states this bill does not fiscally impact the state.

The HCP public entity PPO plan applies a different benefit to Chemical Dependency. Therefore, the additional coverage required will add some cost which HCP expects to cause minimal increases in premiums.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that the DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. DMS assumes the managed care health plans are subject to the proposed legislation, therefore, DMS assumes there is a fiscal impact.

DMS states if the service proposed in the new legislation is not a Medicaid state plan service, only the recipients enrolled in managed care would receive the service. DMS states there would be no federal financial participation. In order to receive federal participation, the service would need to be included in the Medicaid state plan, therefore services would be provided to all medicaid recipients. DMS states only services medically necessary are approved in the Medicaid state plan.

ASSUMPTION (continued)

The DMS assumes the following:

1. The managed care capitated rates would increase due to services added. DMS states the estimated cost is unknown. DMS states managed care would have to add the service to the category which includes Foster Care, Child Welfare Services, Division of Youth Services, and Homeless, Dependent and Neglected children. Also, managed care currently only allows three days for alcohol and drug inpatient treatment in an acute hospitals.
2. Additional costs for fee-for-service recipients. The estimated cost is unknown. Currently, Medicaid fee-for-service only allows three days for alcohol and drug treatment in an acute care hospital.
3. DMS's actuary would renegotiate the current contracts with the managed care health plans. The estimated cost is \$75,000.
4. A Medicaid bulletin would need to be prepared and distributed to all providers involved. The estimated cost is \$13,100.
5. At least two mailings would need to be prepared and sent to notify enrollees. The estimated cost is \$20,000.
6. Hearings would also increase which would add additional costs for administration. The estimated cost is unknown.
7. System work would need to be completed for claims to be processed and paid.

DMS estimates the fiscal impact to be unknown but greater than \$100,000.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

FISCAL IMPACT - State Government

FY 2003  
(10 Mo.)

FY 2004

FY 2005

**GENERAL REVENUE**

Costs - Department of Social Services -  
 Division of Medical Services

Various program costs

(Unknown  
greater than  
\$100,000)

(Unknown  
greater than  
\$100,000)

(Unknown  
greater than  
\$100,000)

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE**

(Unknown  
greater than  
\$100,000)

(Unknown  
greater than  
\$100,000)

(Unknown  
greater than  
\$100,000)

**INSURANCE DEDICATED FUND**

Income - Department of Insurance

Form filing fees

\$9,850

\$0

\$0

**ESTIMATED NET EFFECT ON  
 INSURANCE DEDICATED FUND**

**\$9,850**

**\$0**

**\$0**

**HIGHWAY FUND**

Costs - Department of Transportation

Increased state contribution

\$0 to(\$468,904) \$0 to (\$562,685) \$0 to (\$562,685)

Costs - Department of Public Safety -

Missouri Highway Patrol

Increased state contribution

\$0 to(\$140,063) \$0 to(\$168,075) \$0 to (\$168,075)

**ESTIMATED NET EFFECT ON  
 HIGHWAY FUND**

**\$0 to**  
**(\$608,967)**

**\$0 to**  
**(\$730,760)**

**\$0 to**  
**(\$730,760)**

**CONSERVATION FUND**

Costs - Department of Conservation

Increased state contribution

(Unknown)

(Unknown)

(Unknown)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
---	---------------------	---------	---------

<b>ESTIMATED NET EFFECT ON CONSERVATION FUND</b>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
--	------------------	------------------	------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

Under current law, there are several exceptions to the requirement that health insurers who cover services for mental illness and addictive disorders provide the same coverage as they do for physical illness. These include exceptions that allow insurers to limit inpatient hospital treatment for mental illness to 90 days per year (Section 376.811, RSMo), place annual and lifetime limits on alcohol and drug abuse treatment services (Section 376.827), and exclude or apply different limits to certain specified services (Section 376.833).

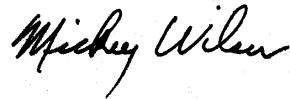
This bill repeals the current law and prohibits health carriers and health benefit plans that offer plans in this state on or after January 1, 2003, from having cost-sharing requirements and benefit or service limitations for outpatient or inpatient mental health and addictive disorder services that place a greater burden on the insured than the requirements and limitations for outpatient or inpatient medical services.

The bill does not apply to supplemental insurance policies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development -  
Division of Professional Registration  
Department of Health and Senior Services  
Department of Public Safety -  
Missouri State Highway Patrol  
Department of Transportation  
Department of Mental Health  
Missouri Department of Conservation  
Missouri Consolidated Health Care Plan



Mickey Wilson, CPA  
Acting Director  
February 1, 2002